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Enterprise Applications News

Oracles Suit Against SAP Raises Customer Concerns

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Users question whether they are paying too much for support and if Oracle and SAP will support an open third-party support model.

The hoopla around Oracles ongoing lawsuit against rival SAP has left a gaping hole for customers questioning the value of major application vendor [support](#).

Oracle is [accusing SAP](#) of corporate theft on a grand scale, the result of SAP subsidiary TomorrowNow downloading too much documentation in the process of providing third-party support for Oracle customers.

Its no secret that by the fourth or fifth year of a maintenance contract, [vendors](#) are seeing between 40 and 80 percent margins on customer support fees. The question is, are customers the ones losing out in the formula? With [third-party support options](#) beginning to pop up in the market, customers want to know if SAP and Oracle are committed to an open third-party maintenance market, according to Forrester Research analyst Ray Wang.

In talking with SAP and Oracle customers over the past several weeks—Oracles suit against SAP was lodged March 22, and SAP admitted July 3 to some unauthorized downloading of Oracle support documentation—Wang said he found customers questioning their long-term maintenance plans.

"A lot of customers feel they are looking for more value in maintenance," Wang said. "By the time they are using the [software](#) by year five, they are getting really only security updates, patches and fixes. But theyre paying anywhere from 17 to 23 percent. Theyre trying to figure out if that is a good value or not."

There are two major third-party support vendors in the market today: TomorrowNow and Las Vegas-based [Rimini Street](#)—whose founder, Seth Ravin, held a 50 percent stake in TomorrowNow, which he sold to SAP. Both companies provide third-party support for applications acquired by Oracle over the past several years—including PeopleSoft, JD Edwards and Siebel Systems—at about 50 cents on the dollar.

 [To read more about SAP admitting to claims in the Oracle case, click here.](#)

In May 2006, Oracle, of Redwood Shores, Calif., announced a partnership with Systime to provide third-party support for SAP R/3 applications at about a 55 percent discount, but general consensus is that Systime, in San Francisco, is really used at this point for customers transitioning from SAP to Oracle applications.

But there are more third-party support vendors emerging.

David Rowe, vice president of global marketing and alliances at Rimini Street,



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confirmed with eWEEK July 12 that the company will explore its options to support SAP applications once the company's restrictions are lifted in early 2008.

"Seth [Ravin] has some restrictions on what we can do and they have expired through time," said Rowe. "He cannot market SAP solutions and there is a point in time in the future, legally, that he cannot talk about [SAP]. In early 2008, we will look at that option. We've made it no secret that [SAP] is the most attractive [target], with more than 30,000 customers."

Josh Greenbaum in his [Enterprise](#) Antimatter blog speculated that the minute a company offers true third-party support for SAP applications, Oracle will acquire it, much as SAP did with TomorrowNow, of Bryan, Texas, once Oracle acquired SAP competitor PeopleSoft. But given the fact that Rimini Street also provides cut-rate support for Oracle applications, an acquisition would present an interesting paradigm: Oracle offering both expensive and inexpensive options for support.

Which would customers chose?

While the cheaper option would seem to be the no-brainer decision, it's really more about an adoption curve with these being early days, according to Wang.

"What we're starting to understand are the rules of engagement and what a third-party vendor would have to do to respect the rules of engagement and making sure there are policies and procedures in place," he said. "It's murky. What is considered IP [intellectual property] and public [domain](#) will have to be defined over time."

Wang said the same questions were raised 30 years ago, when other vendors besides IBM began offering support for IBM hardware. "It's like hardware in the 1970s. All you could count on was IBM—they had a lock—[until third-party support vendors entered the market], and that's what's happening in software."

The question now, according to Wang, is how open to access from third-party providers will software vendors be? If Oracle CEO Larry Ellison's warning to SAP in 2005 to watch its IP back when SAP acquired TomorrowNow is any indication, the future doesn't look promising.

The second question is how savvy customers will be when they sign third-party support contracts.

Rimini Street's Rowe said the biggest change his company has seen since Oracle's suit was filed in March is that more customers are asking about Rimini Street's policies and procedures.

"As part of the selling process, companies are much more interested in downloads and fixes—they want to know that we have the proper procedures to cover that," said Rowe. "We have continued to evolve our processes a little as Oracle has made more guidance available, for example, in its amended complaint."

The bottom line, according to Forrester's Wang, is that maintenance costs are hurting IT departments. Eventually companies will seek out cheaper alternatives if they prove to be viable, a move that could put pressure on SAP, of Waldorf, Germany, and Oracle to revisit their own support pricing structures.

"It's kind of like buying an extra service protection plan from Circuit City or Best Buy because you're not sure everything works," Wang said. "Not until you're through the second product cycle you realize, I didn't really need that. CIOs are buying insurance until each of the third-party vendors are providing something cheaper" that they're sure works.

"It's really an adoption curve," he said.

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